

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 NEA-10 ISO-00 TRSE-00 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 DODE-00

PA-01 PRS-01 L-03 /080 R

DRAFTED BY EB/IFD/OMA:CHERVIN TREASURY:BNEWMAN

APPROVED BY EB/IFD/OMA:JABWINDER

EUR/WE:JLIMPRECHT

EA/IMS:JLFIELD

EUR/SE:JRATIGAN

NEA/IAI:JMCBRIDE

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R 270157Z AUG 77

FM SECSTATE WASHDC

TO AMEMBASSY ATHENS

AMEMBASSY MADRID

AMEMBASSY SINGAPORE

INFO AMEMBASSY TEL AVIV

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E.O. 11652: N/A

TAGS: EFIN, IMF, GR, SP, SN, IS

SUBJECT: DIRECT DISTRIBUTION OF IMF GOLD SALES PROFITS

REF: SINGAPORE 3606(NOTAL)

1. THIS IS TO INFORM YOU OF AN IMF DECISION WHICH AFFECTS
ADDRESSEE HOST GOVERNMENTS.

2. IN AUGUST 1975, THE IMF INTERIM COMMITTEE AGREED THAT
ONE SIXTH (25 MILLION OUNCES) OF IMF GOLD HOLDINGS WOULD BE
SOLD FOR THE BENEFIT OF "DEVELOPING NATIONS." IT WAS
DECIDED THAT A SHARE OF THE PROFITS CORRESPONDING TO THE
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"DEVELOPING COUNTRIES" SHARE OF IMF QUOTAS WOULD BE DISTRI-
BUTED DIRECTLY TO EACH DEVELOPING COUNTRY IN PROPORTION TO
ITS QUOTA SHARE. THE REMAINDER WOULD BE USED TO FINANCE A
TRUST FUND THAT WOULD PROVIDE THE POOREST IMF MEMBERS (PER
CAPITA INCOME BELOW SDR 300) WITH BALANCE OF PAYMENTS
FINANCING ON CONCESSIONAL TERMS.

3. THE DEFINITION OF "DEVELOPING COUNTRIES" FOR THE PUR-

POSE OF THE DIRECT TRANSFER WAS NOT DECIDED AT THE TIME AND HAS BEEN UNDER DISCUSSION IN THE IMF EXECUTIVE BOARD FOR NEARLY TWO YEARS. THE U.S. TOOK THE POSITION THAT THE LIST OF COUNTRIES ELIGIBLE FOR DIRECT DISTRIBUTION OF GOLD PROFITS SHOULD NOT INCLUDE RELATIVELY WEALTHY COUNTRIES OR THOSE IN STRONG BALANCE OF PAYMENTS POSITION. WE WERE CONCERNED THAT INCLUSION OF A BROAD RANGE OF COUNTRIES -- IN

PARTICULAR AN IMF STAFF PROPOSAL THAT INCLUDED OPEC AND OTHER WEALTHY COUNTRIES -- WOULD BE INCONSISTENT WITH THE PURPOSES OF THE TRUST FUND, WOULD SUBJECT THE IMF TO CRITICISM BY THE PUBLIC AND CONGRESS AND WOULD REDUCE THE RESOURCES AVAILABLE TO THOSE COUNTRIES WITH THE GREATEST NEED. THE U.S. OFFERED AN ALTERNATIVE PROPOSAL FOR A MORE LIMITED LIST OF COUNTRIES THAT PROVIDED FOR A CUT OFF BASED ON HIGH PER CAPITA INCOME AND HIGH RESERVES.

4. IN MARCH 1976, IN AN EFFORT TO RESOLVE THE IMPASSE, IMF MANAGING DIRECTOR WITTEVEEN REQUESTED ALL COUNTRIES THAT WERE ON THE IMF STAFF'S PROPOSED LIST BUT WERE NOT ELIGIBLE TO RECEIVE LOANS FROM THE TRUST FUND TO VOLUNTARILY FOREGO ANY DIRECT DISTRIBUTION OF GOLD PROFITS. THE WEALTHIER OPEC COUNTRIES AGREED TO DO SO AND TWO OTHER COUNTRIES AGREED TO FOREGO A PORTION.

5. TO REACH A FINAL DECISION ON ELIGIBILITY MANAGING LIMITED OFFICIAL USE

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DIRECTOR WITTEVEEN PRESENTED TWO ALTERNATIVE LISTS OF COUNTRIES TO THE IMF EXECUTIVE BOARD. ONE OF THESE LISTS EXCLUDED RELATIVELY WEALTHIER DEVELOPING COUNTRIES ON BASES SIMILAR TO THE U.S. PROPOSAL. THIS LIST EXCLUDED GREECE, ISRAEL, SINGAPORE AND SPAIN.

6. THE IMF EXECUTIVE BOARD TOOK A FINAL DECISION ON ELIGIBILITY ON JULY 25. A FORMAL VOTE WAS TAKEN AT THE REQUEST OF EXECUTIVE DIRECTORS REPRESENTING ISRAEL AND SPAIN. A MAJORITY OF THOSE VOTING APPROVED THE ALTERNATIVE THAT DID NOT INCLUDE ISRAEL, SPAIN, GREECE AND SINGAPORE. THE VOTE WAS 46.0 PERCENT TO 35.6 PERCENT. THE U.S. EXECUTIVE DIRECTOR OUTLINED THE GENERAL PRINCIPLES IN SUPPORT OF THE U.S. POSITION DISCUSSED IN PARA.3 ABOVE AND STRESSED THAT IN OUR VIEW THE DECISION DOES NOT IN ANY WAY REPRESENT A PRECEDENT FOR OTHER IMF OPERATIONS OR AN ATTEMPT TO ESTABLISH NEW CATEGORIES OF "DEVELOPED" AND "DEVELOPING" COUNTRIES FOR ANY PURPOSE. THE FINAL ARRANGEMENTS FOR COMPLETING THE INITIAL PHASE OF THE DIRECT DISTRIBUTION ARE STILL BEING WORKED OUT BY THE IMF EXECUTIVE BOARD.

7. NOTE: BASED ON CURRENT GOLD PRICES, THE AMOUNT HOST
GOVERNMENTS MIGHT HAVE RECEIVED WOULD HAVE BEEN ABOUT \$10
MILLION FOR ISRAEL AND GREECE, \$3.3 MILLION FOR SINGAPORE
AND \$33.5 MILLION FOR SPAIN, SPREAD OVER FOUR YEARS. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
Concepts: GOLD, SALES, PROFITS, FINANCE, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 27-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: CHERVIN TREASURY:BNEWMAN
Enclosure: n/a
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Expiration:
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